

COMMITTEE ON GOVERNMENT REFORM

TOM DAVIS, CHAIRMAN



NEWS RELEASE

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Contact: Robert White/Drew Crockett
(202) 225-5074

DAVIS INTRODUCES PREMIUM CONVERSION LEGISLATION

Federal, Military Retirees to Pay Healthcare Premiums with Pre-tax Dollars

Washington, D.C. - House Government Reform Committee Chairman Tom Davis (R-VA) today introduced H.R. 994, premium conversion legislation that will allow federal civilian and military retirees to pay their monthly healthcare premiums from pre-tax dollars and allow active duty military to apply a pre-tax rebate to the supplemental insurance most personnel purchase to cover gaps in TRICARE. Senator John Warner (R-VA) has introduced the senate companion, and House Federal Workforce Subcommittee Chairman Jon Porter (R-NV) is cosponsoring the House bill. The bill has received broad bipartisan support since its initial introduction in the 106th Congress. The bill had 112 co-sponsors in the 106th, 250 co-sponsors in the 107th, and 342 co-sponsors in the 108th.

Section 125 of the Internal Revenue Code presently allows employers in the public and private sectors to permit their employees to pay for health insurance with pre-tax dollars, wages excluded from both income and Social Security payroll taxes. These so-called "premium conversion plans" are also available to most employees of large private sector companies. The tax code, however, does not provide authority for employers to make premium conversion benefits available to their retirees.

"It has been estimated that this legislation would result in an average savings of \$434 a year for our federal annuitants. A modest amount of money to those on a fixed income adds up and has a real impact," said Chairman Davis. "It is critical for annuitants to receive relief since they also shoulder the burden of increasingly high health insurance and prescription drug costs."

"While helping to make health insurance more affordable, we understand that premium conversion is not a silver bullet for our nation's complicated healthcare woes.

It is, however, an important benefit that must rightfully be extended to our annuitants, and I am proud to again take the lead on this important legislation,” Davis added.

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